

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2562 - SB 2469

March 3, 2022

SUMMARY OF BILL: Removes the additional single article state sales tax of 2.75 percent that is applied on the amount over \$1,600, but less than or equal to \$3,200, on the sale of any single article of personal property. Increases, from \$1,600 to \$3,200, the limit to which any local option sales tax, including any local option transit surcharge, may apply. Establishes that such increase in the local sales tax cap is automatic if the municipality or county is at the maximum rate of \$1,600 prior to the effective date of this act.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$83,467,400/FY22-23 and Subsequent Years

Increase Local Revenue – \$75,859,100/FY22-23 and Subsequent Years

Assumptions:

- The state single article tax collection was \$71,872,177 in FY20-21.
- According to estimates from the Fiscal Review Committee, sales tax revenue growth is estimated to be 10.96 percent in FY21-22 and 5.00 percent in FY22-23.
- Assuming the state single article tax grows by the same percentage as overall tax revenue, total single article tax collections is estimated to be \$83,736,836 in FY22-23 ($\$71,872,177 \times 1.1096 \times 1.0500$). This number is assumed to remain constant under current law.
- All collections generated by the single article sales tax are deposited in the General Fund.
- Therefore, the recurring decrease in state revenue to the General Fund is estimated to be \$83,736,836 in FY22-23 and subsequent years.
- Currently Grundy, Hancock, and portions of Hamblen Counties have limits lower than \$1,600; seeing as these counties are currently authorized to tax at higher limits but have opted not to, it is assumed that such counties will remain at their current levels. Such areas make up approximately 0.493 percent of total sales tax statewide.
- The average local option sales tax rate is estimated to be 2.50 percent. Therefore, the proposed legislation will result in an automatic increase in local option sales tax collections.
- Taxable sales in the applicable counties for single articles or personal property with amounts exceeding \$1,600 and up to \$3,200 are estimated to be \$3,029,964,124 [$\$83,736,836 \times (100\% - 0.493\%) / 2.75\%$].

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- Therefore, the recurring increase in local revenue is estimated to be \$75,749,103 ($\$3,029,964,124 \times 2.50\%$) in FY22-23 and subsequent years.
- The total decrease in taxpayer expenditures is estimated to be \$7,987,733 ($\$83,736,836 - \$75,749,103$).
- Fifty percent of tax savings, or \$3,993,867 ($\$7,987,733 \times 50\%$), will be spent in the economy on other sales-taxable goods and services.
- The increase in state sales tax collections is estimated to be \$269,459 [$(\$3,993,867 \times 7\%) - (\$3,993,867 \times 7\% \times 3.617\%)$] in FY22-23 and subsequent years.
- The increase in local sales tax collections is estimated to be \$109,959 [$(\$3,993,867 \times 2.5\%) + (\$3,993,867 \times 7\% \times 3.617\%)$] in FY22-23 and subsequent years.
- The net recurring decrease in state revenue as a result of the proposed legislation is estimated to be \$83,467,377 ($\$83,736,836 - \$269,459$) in FY22-23 and subsequent years.
- The total recurring increase in local revenue as a result of the proposed legislation is estimated to be \$75,859,062 ($\$75,749,103 + \$109,959$) in FY22-23 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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